

UI Tax Information & Updates

Trust Fund Division

How is My Tax Rate Calculated?



www.michigan.gov/uia/webcasts



Michigan's Unemployment System

Michigan has an experience-rated tax system that uses an employer's:

- Past unemployment benefit claims
- Payroll Size
- Years of Experience

To determine an employer's annual tax rate.



Michigan's Unemployment System

Factors that will cause the tax rate to increase:

- Benefits paid
- Unpaid/underpaid taxes, and
- Increasing payroll



Tax Rate Components

Employer Tax rates are calculated by using the following three components:

- Chargeable Benefits Component (CBC)
- Account Building Component (ABC)
- Non-Chargeable Benefits Component (NBC)

$$\text{CBC} + \text{ABC} + \text{NBC} = \text{Tax Rate}$$

Experience Components

- The Chargeable Benefits Component (CBC) and the Account Building Component (ABC) are affected by the employer's payroll, the unemployment benefit charges to their account, and the tax payments received. Since these components reflect each company's own **experience**, they are known as the **experience components**.

Chargeable Benefits Component

- This component takes into consideration the amount of unemployment benefits charged to an employer's account over a 36-month (3-year) period, ending the previous June 30.



$$CBC = \frac{36 \text{ months of benefits paid}}{36 \text{ months of taxable payroll}}$$

The result is rounded to the next higher 0.1%

Chargeable Benefits Component

- Rounding:

$$.0601 = .060\underline{1} = .0610 = 6.1\%$$

$$.0600 = 6.0$$





Account Building Component

- Unemployment insurance, like any insurance system, uses past experience to try to achieve solvency for the insurance system. Here, the Account Building Component (ABC) serves this purpose by comparing the balance in an employer's UIA employer account (actual reserve) with a calculated optimal balance for the employer (required reserve).
- The calculation uses each employer's total payroll for the 12-month period ending the previous June 30th



Account Building Component

$$ABC = \frac{[(\text{Required Reserve}) - (\text{Actual Reserve})] \times 0.5}{12 \text{ months of total payroll}}$$

Required Reserve = Employers total (gross) payroll for the 12 months ending the previous June 30th multiplied by 3.75%

Actual Reserve = All monies paid in UI taxes since the business began, minus all benefit charges that have been charged since the business began. (Includes predecessor reserve.)

The result is rounded up to the next higher one tenth of one percent (0.1%)

Nonchargeable Benefits Component

- This component is the only one of the three that does not entirely reflect an employer's own experience.
- This component is generally a flat 1.0% for all fully-experienced employers.
- For employers with no, or very few, benefit charges, the NBC can range from 0.5% to as low as 0.06%.

ABC Computation Period

- For the 2014 tax rate, these are the quarters that are used in the computation:

9/30/2012

12/31/2012

3/31/2013

6/30/2013

- For 2013, these are the quarters that were used in the computation:



9/30/2011

12/31/2011

3/31/2012

6/30/2012

Benefits charged today
affect future tax rates!

Effects of Missing Tax Reports

- If any of the tax reports needed for the computation period are missing (not filed), the employer will receive a computed tax rate plus a 3.0% non-reporting penalty added to their tax rate.
- If none of the required tax reports are filed, the rate will be set at the highest rate applicable for the number of years in business plus a 3.0% non-reporting penalty.
- For fully experienced employers, the rate could be 10.3% plus 3.0% = 13.3%. (not including the OA)
- If the missing reports are filed within 30 days of the tax rate determination, the non-reporting penalty is removed.
- Beyond the 30 days but up to one year, the non-reporting penalty can be reduced to 2.0%.



Tax Rates for Newly Liabile Employers

Before 2012 Legislation:

- Year 1 & 2 - 2.7 %
- Year 3 - 1.8% + 1/3 CBC
- Year 4 - 1.0% + 2/3 CBC
- ✓ Year 5 - CBC + ABC + NBC

60 months = Fully experienced

Tax Rates for Newly Liable Employers

Rate Year 2012

- Year 1 - 2.7%
- Year 2 -2.7% + 1/3 CBC
- Year 3 -2.7% + 2/3 CBC
- ✓ Year 4 - CBC + ABC+ NBC

(48 months = fully experienced)

Tax Rates for Newly Liable Employers

Rate Year 2013 and After

- Year 1 - 2.7% + 1/3 CBC
- Year 2 - 2.7% + 2/3 CBC
- ✓ Year 3 - CBC + ABC + NBC

(36 months = fully experienced)

Form UIA 1771

UIA 1771
(Rev. 01/12)

LICENSING AND REGULATORY AFFAIRS
Unemployment Insurance Agency
Tax Office
3024 W. Grand Blvd., Suite 11-500 Detroit, Michigan 48202
www.michigan.gov/uia

Employer No.:
Date Mailed: 02/21/2012

TAX RATE DETERMINATION FOR CALENDAR YEAR 2012

LARA
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS

THIS IS NOT A REQUEST FOR PAYMENT

Your unemployment insurance tax rate, as provided under Sections 19, 22, and 18(d) of the Michigan Employment Security Act (Act), is shown below as "YOUR COMPUTED RATE." Your penalty (if applicable) is shown as "NON-REPORTING PENALTY IS." For information on the OBLIGATION ASSESSMENT and "SUTA RATE PENALTY," see explanations on back. SEE IMPORTANT INFORMATION ON THE BACK OF THIS FORM.

FORMULA FOR EACH COMPONENT	FIGURES BASED ON YOUR EMPLOYER ACCOUNT	RESULT (in percent)
NONCHARGEABLE BENEFITS COMPONENT (NBC) (Maximum 1.0%)		
Amounts paid based on this component will not appear in the "Taxes Credited" line of the ABC calculation below.		0.00%
CHARGEABLE BENEFITS COMPONENT (CBC) (Maximum 6.3%)		
48 months of benefit charges (ending 6/30/2011)	0.00	0.00%
48 months of taxable payroll (ending 6/30/2011)	0.00	
ACCOUNT BUILDING COMPONENT (ABC) Actual Reserve		
Negative Numbers Shown in Parenthesis		
Prior Actual Reserve (as of 6/30/2010)		0.00
Total Payments Credited to Taxes Due (as of 7/31/2011)	0.00	
Minus NBC (explanation above)	0.00	
Minus Non Reporting Penalty	0.00	
Equals Taxes Credited to Experience Rating Account	+	0.00
Minus Benefits Charged (12 months ending 6/30/2011)	-	0.00
Equals Actual Reserve (as of 6/30/2011)	=	0.00
Required Reserve		
12 months total payroll (ending 6/30/2011)		0.00
Multiplied by Cost Criterion	X	.0375
Equals Required Reserve (6/30/2011)	=	0.00
ABC Calculation (Required Reserve - Actual Reserve) X .50 12 months total payroll (ending 6/30/2011)		
	[0.00 - 0.00] X .50	2.70% (Maximum 3.0%)
Your Computed Rate		2.70%
Taxable wage base for the year is: 9,500.00		
Your taxable payroll for 12 months ending 6/30/2011 was: 0.00		
Non-Reporting Penalty is		0.00%
Obligation Assessment		0.66%
SUTA Rate Penalty		0.00%
Solvency Rate		0.00%
Total Rate plus Penalty (if applicable)		3.36%

For details on how this rate was calculated, see Code 3 on reverse side.

APPEAL STATEMENT: Any protest or appeal from this determination must be filed either in person, by mail, or by fax 1-313-456-2130 and must be received within 30 calendar days of the "Date Mailed" shown above, or if such 30th day is a Saturday, Sunday, or legal holiday, by the end of the next business day.

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